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PACIFIC  **TELESIS.**
Group - Washington

September 11, 1992

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

**ORIGINAL
FILE**

Donna R. Searcy
Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Ms Searcy:

Re: *CC Docket No. 92-133, Amendment of Parts 65 and 69 of the Commission's Rules to Reform the Interstate Rate of Return Represcription and Enforcement Processes*

On behalf of Pacific Bell and Nevada Bell, please find enclosed an original and six copies of its "Comments" in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

SEP 11 1992

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Amendment of Parts 65 and 69 of)
the Commission's Rules to Reform)
the Interstate Rate of Return)
Represcription and Enforcement)
Processes)
)

CC Docket No. 92-133

COMMENTS OF PACIFIC BELL AND NEVADA BELL

Pacific Bell and Nevada Bell ("the Pacific Companies") submit their comments to the Notice of Proposed Rulemaking in the above-captioned proceeding.¹ By this proceeding, the Commission undertakes fundamental reform of the rate of return represcription and enforcement processes. The Commission invites comments on its proposals.

The Pacific Companies have reviewed the draft comments to be filed by the United States Telephone Association ("USTA") in this proceeding and support USTA's comments therein. USTA's efforts have been to simplify and streamline the represcription process while providing sufficient flexibility to allow all interested parties to participate. USTA's Comments advocate fair and sound rate of return prescription. They suggest a

¹ Amendment of Parts 65 and 69 of the Commission's Rules to Reform the Interstate Rate of Return Represcription and Enforcement Processes, CC Docket No. 92-133, Notice of Proposed Rulemaking and Order, released July 14, 1992 ("NPRM").

simplified capital structure and cost of debt determination which is truly reflective of the capitalization of the LEC industry.

Further, USTA's Comments advocate the adoption of a flexible approach to cost of equity methodology that would permit the consideration of data obtained from any appropriate methodology. The approach taken by USTA allows parties to select appropriate methodologies including new models and improved financial theory that Wall Street may use in determining the cost of equity.

While the procedural and substantive issues to determine the rate of return represcription processes and enforcement raised by the NPRM do not apply to price cap LECs,² the NPRM does propose to require LECs or LEC holding companies to submit to a LEC organization such as NECA any information that might be needed to support the Commission's triggering and cost of capital methodologies so that the data collection and processing organization will have the necessary information.³ The Commission has not limited that requirement to LECs which will be regulated by Part 65. As such, the Pacific Companies could be asked to providing information to support the Part 65 proceeding. The Pacific Companies do not object, in principle,

² The Pacific Companies agree that the Commission's decisions in this proceeding or in future represcriptions pursuant to Part 65 would not apply to the Pacific Companies, except as discussed herein, given their status as price caps regulated companies subject to Section 61.41 et seq. of the Commission's rules. The Commission explicitly recognized that Part 65 would not govern the price cap companies by its declaration that "future represcriptions would not affect the sharing zones for price cap LECs". NPRM, para. 83, n.92.

³ NPRM, para. 41.

to providing information that would be helpful to the Commission's investigation. However, the Commission should qualify the kind and extent of information that the price cap LECs would be required to provide. Moreover, the Commission should first direct that commercially available information should be sought from commercial sources. LECs could be asked to provide public information that is unavailable from external sources.

Respectfully submitted,

PACIFIC BELL
NEVADA BELL

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Date: September 11, 1992